



United States Senate
Committee on Homeland Security and Governmental Affairs
Senator Susan M. Collins, Chairman

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OPENING STATEMENT
SENATOR SUSAN M. COLLINS
Chairman, Committee on Homeland Security and Governmental Affairs
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**“U.S. POSTAL SERVICE: WHAT IS NEEDED
TO ENSURE ITS FUTURE VIABILITY?”**

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Today, the Committee holds its ninth and final hearing on postal reform. The time and effort this Committee has devoted to this subject reflect its importance. The U.S. Postal Service is the linchpin of a \$900-billion mailing industry that employs more than nine million Americans in fields as diverse as direct mailing, printing, catalog production, paper manufacturing, and financial services.

A healthy Postal Service is indispensable to thousands of businesses throughout the country. During this series of hearings, we have heard from many of those businesses. Whether it's Time magazine or a small community newspaper, affordable universal service is essential to a well-informed public. Whether it's a national retail giant or a small Maine manufacturer of down comforters, a vast sector of our economy depends on the Postal Service.

Yet, the Postal Service's future is not assured. At our first hearing in September of 2003, the Committee heard from Jim Johnson, co-chairman of the Presidential Commission on the Postal Service who emphasized that the Postal Service was an institution in serious jeopardy. Mr. Johnson went further by warning that “an incremental approach to Postal Service reform will yield too little, too late, given the enterprise's bleak fiscal outlook, the depth of current debt and unfunded obligations, the downward trend in First-Class mail volumes and the limited potential of its legacy postal network that was built for a bygone era.” That was a very strong statement, and one that continues to challenge both the Postal Service and Congress to embrace far-reaching reforms.

The financial and operational problems confronting the Postal Service are serious indeed. The Service's long-term liabilities are enormous – to the tune of \$7.6 billion for Workers' Compensation claims, \$3.5 billion for retirement costs, and \$50 - \$60 billion to cover retiree health care costs. The Postal Service also has left to pay almost \$2 billion in outstanding debt to the U.S. Treasury.

There has been some positive news. The Postal Service has done much to improve its finances. And in an unexpected turn of events in late 2002, the Office of Personnel Management discovered that if postal payments into the Civil Service Retirement System Fund were to continue on the basis required under existing law, the Postal Service would over-fund its estimated retirement liability by approximately \$71 billion dollars over a period of 60 years. Senator Carper and I introduced legislation to correct this funding problem. That bill's

enactment enabled the Postal Service to delay its next rate increase and to more aggressively pay down debt owed to the U.S. Treasury.

Despite this reprieve, the underlying problems remain. One of the greatest challenges for the Postal Service is the decrease in mail volume as key components of business communications, such as bills and payments, move increasingly to the Internet. This is highly significant, given that First-Class mail accounts for 48 percent of total mail volume, and the revenue it generates pays for more than two-thirds of the Postal Service's institutional costs.

Two weeks ago, Senator Carper and I reintroduced our bill, S. 662, the Postal Accountability and Enhancement Act of 2005. This bill preserves the basic features of universal service – affordable rates, frequent delivery, and convenient community access to retail postal services. As a Senator representing a large, rural state, I want to ensure that my constituents living in the northern woods, or on the islands, or in our many rural small towns have the same access to postal services as the people of our cities. If the Postal Service were no longer to provide universal service and deliver mail to every customer, the affordable communication link upon which many Americans rely surely would be jeopardized.

This is of paramount importance to the thousands of businesses that rely on the mail, and to their millions of employees. This basic fact was brought into sharp focus at our hearing in March of 2004, in which we heard from such businesses.

One of our witnesses was Chris Bradley, owner of that small Maine manufacturer of down comforters and pillows, Cuddledown. The previous rate increase, in June 2002, raised standard postal rates an average of 8 percent. Ms Bradley pointed out that for Cuddledown, that meant an increased postage bill of \$240,000 – the equivalent of eight good jobs that would have to be cut just to stay even. Excessive and unpredictable rate increases clearly are a recipe for business failure and job loss. High rates also further reduce mail volume, aggravate the threat to universal service, and lead to even more rate increases. The only way to avoid what the GAO refers to as a “death spiral” is through the comprehensive reform we propose.

We are working closely with the Administration to implement many of the recommendations of the President's Commission. The Administration has serious reservations, however, about two significant Commission recommendations. The first is the question of how the so-called “savings” that resulted from our correcting the Civil Service Retirement System overpayment problem should be spent.

The Administration proposes that the entire \$43 billion in savings over the next 10 years be used to pre-fund retiree health benefits. This would take all of the benefit from correcting the problem away from the American mailing public and would lead to unnecessarily high rate increases for mailers. This would be nothing less than a new and harmful tax on postal customers.

My second concern is with the Administration's position on the responsibility for paying the cost of retirement benefits for Postal Service employees that is attributable to their military service.

The Administration contends that the Postal Service must continue to pay these benefits. I believe it is unreasonable and unfair to ask the Postal Service to pay the retirement costs for the military service of its employees. As the President's own Commission on the Postal Service noted, this provision “asks those who use the nation's postal system to subsidize the military every time they use the mail.” During the Committee's examination of postal reform, which now spans more than 18 months, we have heard from a wide range of experts. Some have been experts in issues pertaining to government management and finance; some have been experts in running a business or in keeping the American people informed and in touch with each other. Their perspectives have differed, but their basic premise has not: universal and affordable postal service is a fundamental building block of our economy.

It is so fundamental, it is such a part of the fabric of American life, that it can easily be taken for granted. As Ben Franklin – the founder of the very first United States Post Office – once said, “When the well is dry, we know the worth of water.” We must not allow this well to run dry, for we already know that we would lose something very precious.